

Message Text

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ACTION EB-08

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FM AMCONSUL CALGARY
TO SECSTATE WASHDC PRIORITY 2244
INFO AMEMBASSY OTTAWA PRIORITY

UNCLAS SECTION 01 OF 02 CALGARY 0145

E.O. 11652: NA
TAGS: ENRG, CA
SUBJ: PROPOSED ALBERTA GAS SALES

REF: CALGARY 0136

1. THE FOLLOWING PRESS RELEASE ON THE PROPOSED SALE OF ALBERTA GAS TO NORTHWEST ALASKAN PIPELINE CORPORATION WAS ISSUED IN CALGARY AT 10:00 A.M. MARCH 10. NORTHWEST ALASKAN PIPELINE CORPORATION IS A SUBSIDIARY OF NORTHWEST ENERGY COMPANY OF SALT LAKE CITY.

QUOTE: CALGARY:- G.W. (SCOTTY) CAMERON, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF PAN-ALBERTA GAS LTD., ANNOUNCED TODAY THE SIGNING OF TWO SHORT TERM SWAP EXPORT CONTRACTS WITH NORTHWEST ALASKAN PIPELINE CORPORATION OF SALT LAKE CITY FOR THE DELIVERY OF UP TO 1040 MMCF/D OF ALBERTA NATURAL GAS.

A PRELIMINARY CONTRACT HAD BEEN SIGNED WITH NORTHWEST IN JULY OF 1977 COVERING THE SALE OF 800 MMCF/D.

THE PROPOSED SALES ARE GEARED TO THE PRE-BUILDING OF PART OF UNCLASSIFIED

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THE SOUTHERLY PORTIONS OF THE FACILITIES REQUIRED FOR THE ALASKA HIGHWAY PIPELINE PROJECT, IN ALBERTA, SASKATCHEWAN, SOUTHERN BRITISH COLUMBIA AND THE UNITED STATES, WITH 240 MILLION CUBIC FEET DAILY OF THE NEW SUPPLY TO BE DELIVERED AT KINGSGATE, BRITISH COLUMBIA AND 800 MILLION CUBIC FEET DAILY TO BE DELIVERED AT MONCHY, SASKATCHEWAN.

WHILE THE SALES CONTRACTS ARE WITH NORTHWEST ALASKAN PIPELINE CORP., THE SPONSORER OF THE ALASKAN PORTION OF THE ALASKA-FOOTHILLS PIPELINE DESIGNED TO MOVE NATURAL GAS FROM ALASKA THROUGH CANADA TO U.S. MARKETS, THE GAS WILL BE GOING TO OTHER U.S. DISTRIBUTORS.

PACIFIC INTERSTATE TRANSMISSION COMPANY, A SUBSIDIARY OF PACIFIC LIGHTING CORP. OF LOS ANGELES, HAS PURCHASED FROM NORTHWEST ALASKAN ALL OF THE GAS TO BE DELIVERED AT KINGS-GATE. THE VOLUMES WILL BE TRANSPORTED TO CALIFORNIA MARKETS BY BUILDING PORTIONS OF FOOTHILLS (SOUTH B.C.) LTD. AND EXPANDING PORTIONS OF EXISTING FACILITIES OF PACIFIC GAS TRANSMISSION COMPANY, NORTHWEST PIPELINE CORP. AND EL PASO NATURAL GAS COMPANY.

THE VOLUMES TO BE DELIVERED AT MONCHY HAVE BEEN PURCHASED FROM NORTHWEST ALASKAN BY UNITED GAS PIPE LINE COMPANY OF HOUSTON. ALTHOUGH UNITED HAS AGREED TO PURCHASE THE ENTIRE 800 MILLION CUBIC FEET DAILY, NORTHWEST ALASKAN HAS RESERVED THE RIGHT TO SELL 400 MILLION CUBIC FEET DAILY TO OTHER EASTERN OR MIDWESTERN MARKETS. THESE VOLUMES WILL BE TRANSPORTED BY CONSTRUCTING MAJOR PORTIONS OF THE EASTERN LEG OF THE ALASKA HIGHWAY PIPELINE PROJECT UP TO A POINT OF INTERCONNECTION WITH NORTHERN NATURAL GAS CO. FACILITIES IN THE MIDWEST, AS WELL AS FOOTHILLS PIPELINES FACILITIES IN ALTA. AND SASKATCHEWAN.

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MR. CAMERON NOTED THAT THE PRE-BUILDING OF THESE FACILITIES WOULD BE OF ENORMOUS BENEFIT TO ALBERTA AND CANADA, THROUGH THE SPREADING OUT OF THE TIME FRAME IN WHICH EQUIPMENT, MANPOWER AND SUPPLIES WOULD BE REQUIRED FOR THE TOTAL FOOTHILLS PORTION OF THE ALASKAN HIGHWAY PIPELINE PROJECT.

IN ADDITION, IF REGULATORY AND POLITICAL APPROVALS IN BOTH CANADA AND THE UNITED STATES ARE OBTAINED FOR THE SALE, IT WOULD PROVIDE A READY MARKET FOR THE EXISTING SURPLUS OF NATURAL GAS, PROVIDING THE NEEDED IMPETUS FOR FURTHER NATURAL GAS EXPLORATION IN ALBERTA. "WITH ENCOURAGEMENT FOR FURTHER EXPLORATION, I HAVE NO DOUBT THAT ALBERTA NATURAL GAS EXPLORATION COMPANIES WILL CONTINUE WITH THEIR HIGH LEVEL OF EXPLORATION ACTIVITY, RESULTING IN THE CONTINUED DISCOVERY AND DEVELOPMENT OF NEW NATURAL GAS RESERVES FOR FUTURE CANADIAN USE," MR. CAMERON NOTED. "IN ADDITION, AS A RESULT OF THE SALES, NATURAL GAS SUPPLIES WILL BE READILY AVAILABLE, WITH FACILITIES IN PLACE, TO SERVE GROWING CANADIAN REQUIREMENTS AT A TIME WHEN IT IS ESTIMATED THEY WILL BE REQUIRED".

FURTHER, THE AGREEMENTS EMBODY A "SWAP" CONCEPT WHERE, IF

REQUIRED BY CANADA, THE NATURAL GAS WOULD BE RETURNED UNDER
EQUITABLE TIMING AND OTHER PROVISIONS.

MR. CAMERON NOTED THAT THE SALES WERE DEPENDENT UPON RECEIVING
BOTH REGULATORY AND POLITICAL APPROVALS FROM THE GOVERNMENTS
OF CANADA, THE UNITED STATES, ALBERTA AND CERTAIN U.S. STATES.

"WE ARE CONFIDENT THAT THE REGULATORY AND POLITICAL REQUIRE-
MENTS CAN BE SATISFIED IN THE TIME FRAME NECESSARY TO MAKE
THE SALES A REALITY," MR. CAMERON CONTINUED. "CERTAINLY
ALBERTA AND CANADA HAVE THE SURPLUS NATURAL GAS; CERTAIN OF
THE U.S. DISTRIBUTORS REQUIRE NATURAL GAS OVER BOTH THE
SHORT AND LONG TERM; AND THE PRE-BUILDING OF SOME OF THE
CANADIAN AND U.S. FACILITIES MAKES SOUND ECONOMIC SENSE".
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GIVEN PROMPT REGULATORY APPROVALS, SOME OF THE CANADIAN GAS
COULD BE DELIVERED TO WESTERN U.S. MARKETS BY THE WINTER OF
1979; THE REMAINDER COULD BE FLOWING TO THE MIDWEST, SOUTH
AND EAST BY THE FOLLOWING YEAR.

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PAN-ALBERTA WILL BE PROCEEDING WITH THE CONDITIONAL
CONTRACTING OF THE NATURAL GAS SUPPLIES FOR THE CONTRACTS.

PAN-ALBERTA AND NORTHWEST ARE NOW PROCEEDING WITH THE MAKING,
OR REVISING, OF THE REQUIRED REGULATORY APPLICATIONS REQUIRED
FOR THE SALE IN BOTH COUNTRIES. UNQUOTE

2. COMMENT: WE UNDERSTAND THAT SIGNING OF CONTRACT WITH
PACIFIC LIGHTING MAY BE DELAYED BECAUSE OF DISPUTE OVER THE
TERM OF GAS DELIVERIES. PACIFIC LIGHTING IS INSISTING ON
SIX YEAR CONTRACT WHILE ALBERTA AND SOUTHERN, THE COMPANY
WHICH WILL SUPPLY ALBERTA GAS TO PAN ALBERTA, HAS A FIVE
YEAR EXPORT PERMIT FROM THE ERCB.
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